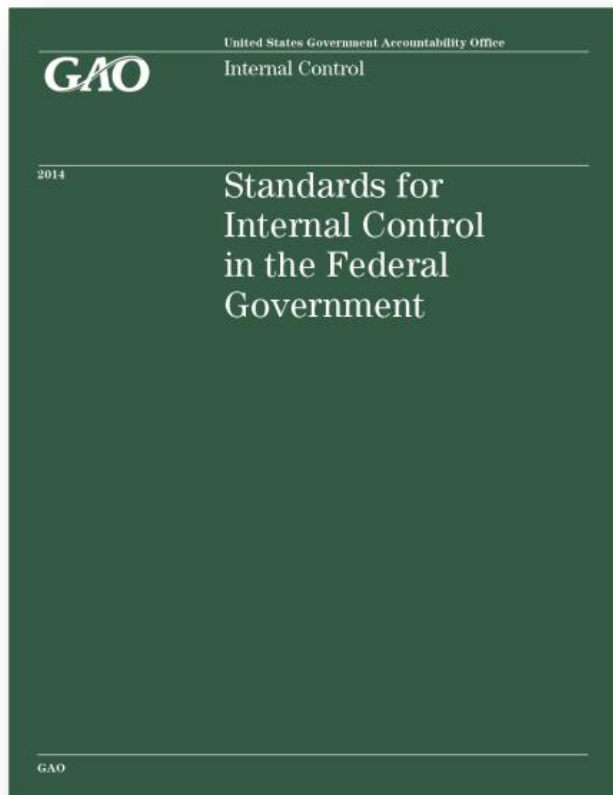# Standards for Internal Control in the Federal Government
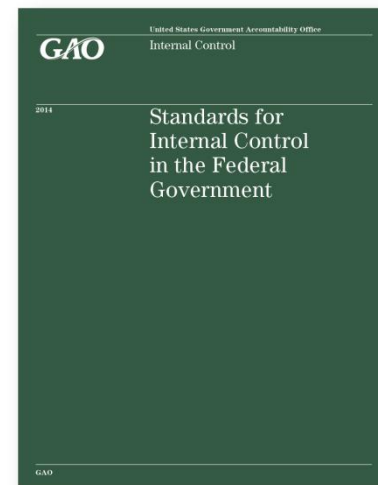
Going Green

Green Book Through the Years
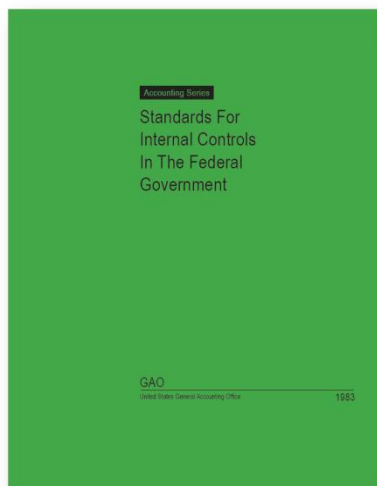
1983 ⟶ **Present**

Reasons for Green Book Revision

1999 Green Book

1999 Standards for Internal Control in the Federal Government (Green Book)

Refresh objectives

Reflect changes in the operating environment	Expand operations and reporting objectives	Articulate principles to facilitate effective internal control

Enhancements

Updates context	Broadens application	Clarifies requirements

Updated Green Book
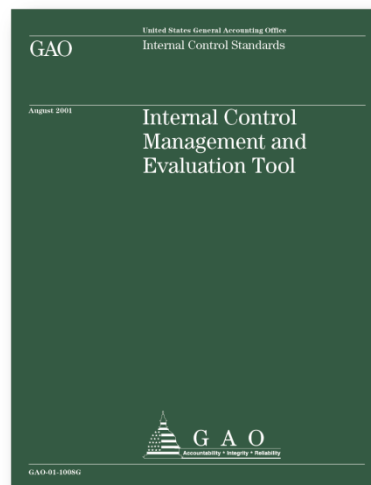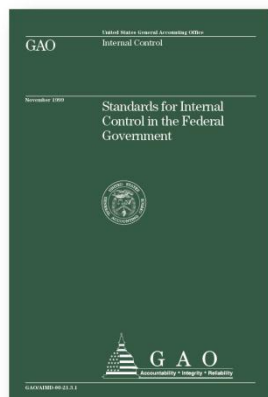
2013 Exposure Draft of Standards for Internal Control in the Federal Government

Revision to the Green Book

What is _not_ changing

- Core definition of internal control

- Three categories of objectives and five components of internal control

- Each of the five components of internal control are required for effective internal control

- Important role of judgment in designing, implementing and operating an internal control system and evaluating its effectiveness
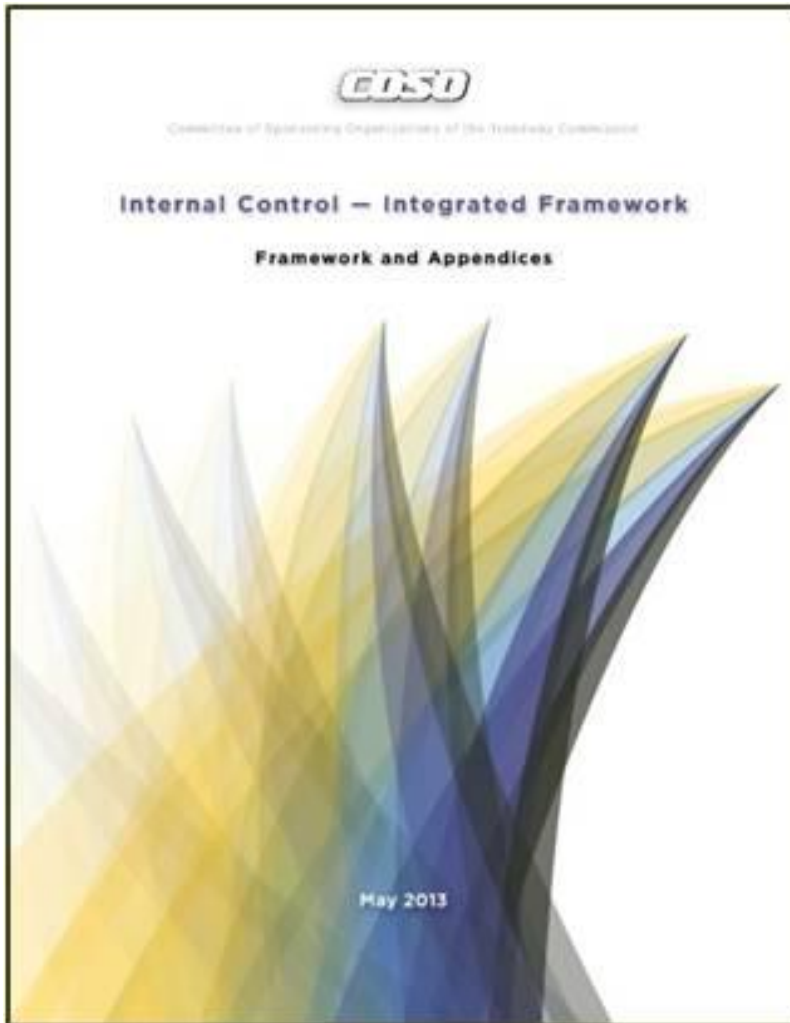
What is changing

- Changes in operating environments considered

- Operations and reporting objectives expanded

- Fundamental concepts underlying five components articulated as principles

- Additional consideration given to operations, compliance, and non-financial reporting objectives

Green Book Revision Proposed Timeline

Outreach to User Community

Ongoing

First GBAC meeting

5/20/2013

Public Exposure

9/3/2013-2/18/2014

Finalize Green Book

Summer 2014

# Updated COSO Framework

Released
May 14, 2013

The COSO Framework

- Relationship of Objectives and Components

  - Direct relationship between objectives (which are what an entity strives to achieve) and the components (which represent what is needed to achieve the objectives)

- COSO depicts the relationship in the form of a cube:

  - The three objectives are represented by the columns
  - The five components are represented by the rows
  - The entity's organization structure is represented by the third dimension

Source: COSO

From COSO to Green Book: Harmonization
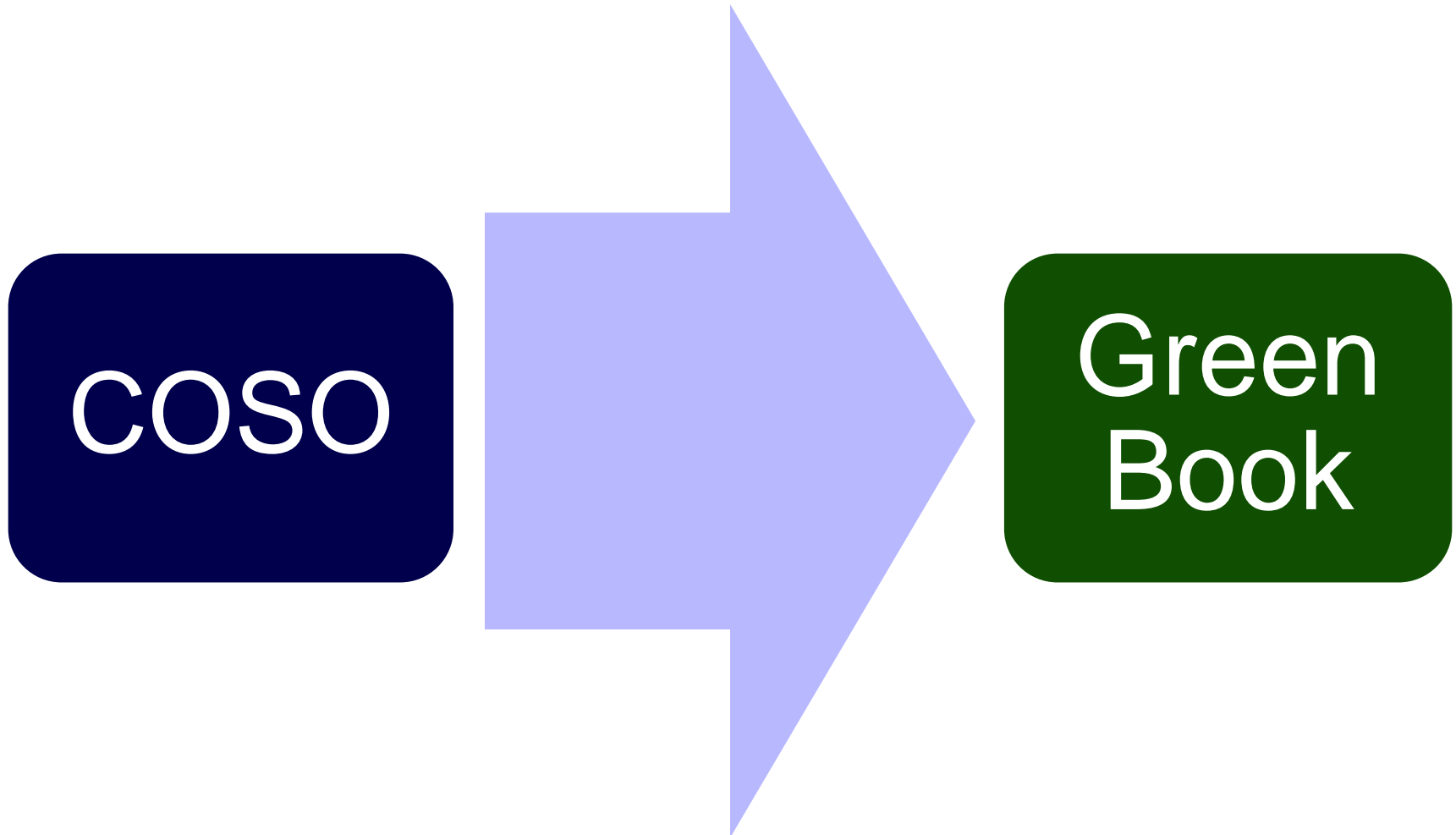
COSO → Green Book

Green Book Advisory Council

Representation from:

- Federal agency management (nominated by OMB)
- Inspector General
- State and local government
- Academia
- COSO
- Independent public accounting firms
- At large

Exposure Draft Comment Process

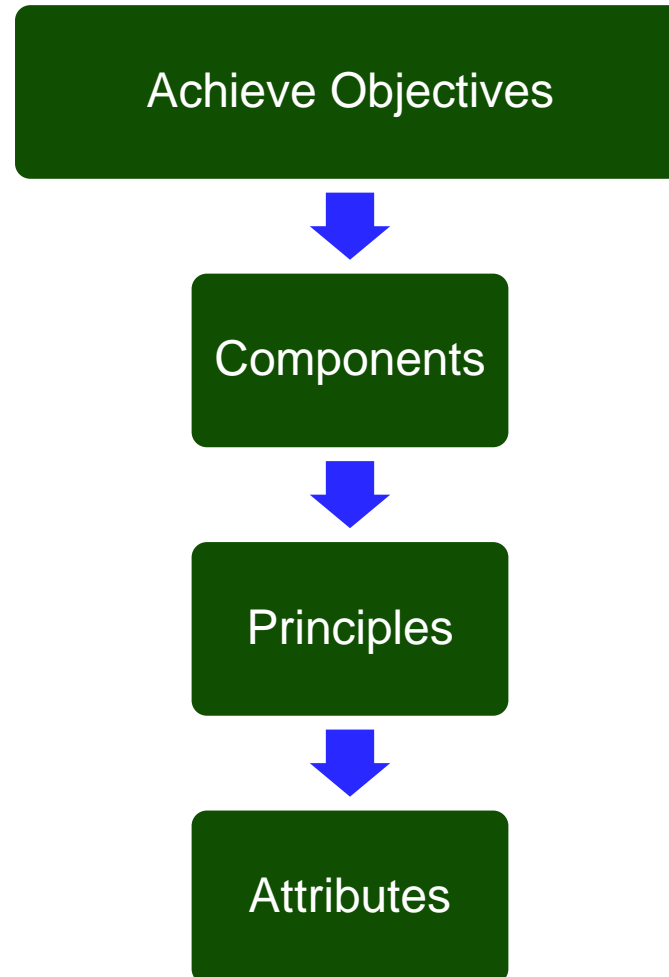| Category	Comments
Overall GB Comments	29
Overview	159
Control Environment	31
Risk Assessment	25
Control Activities	19
Information & Communication	5
Monitoring	14
Glossary	28
Total	**527**

Revised Green Book: Standards for Internal Control in the Federal Government

Overview

Standards
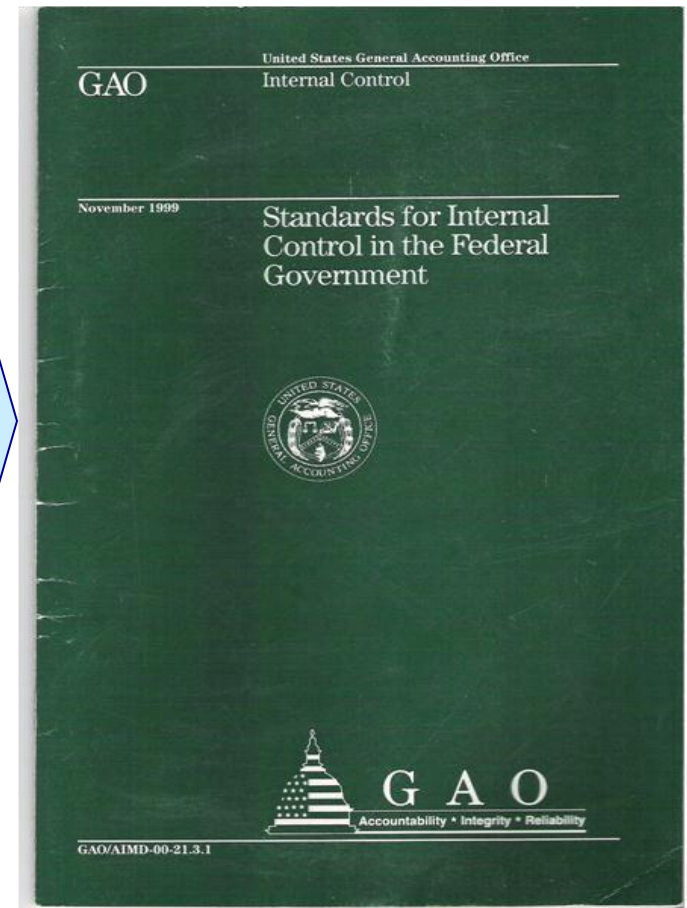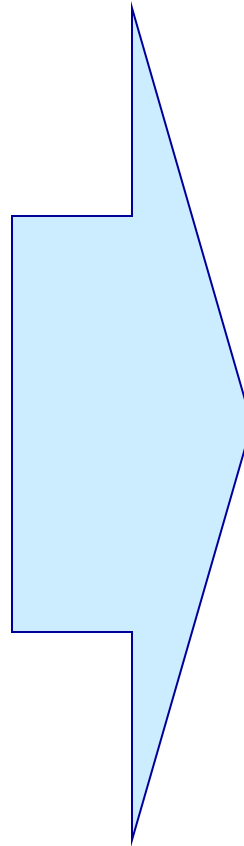
Overview: Components, Principles, and Attributes

Overview

Standards

Achieve Objectives

⬇

Components

⬇

Principles

⬇

Attributes

Overview: Additional Considerations

Overview

Standards

The impact of service organizations on an entity's internal control system

Discussion of documentation requirements in the Green Book

Applicability to state, local, and quasi-governmental entities as well as not-for-profits

Cost/Benefit and Large/Small Entity Considerations

Revised Green Book: Principles

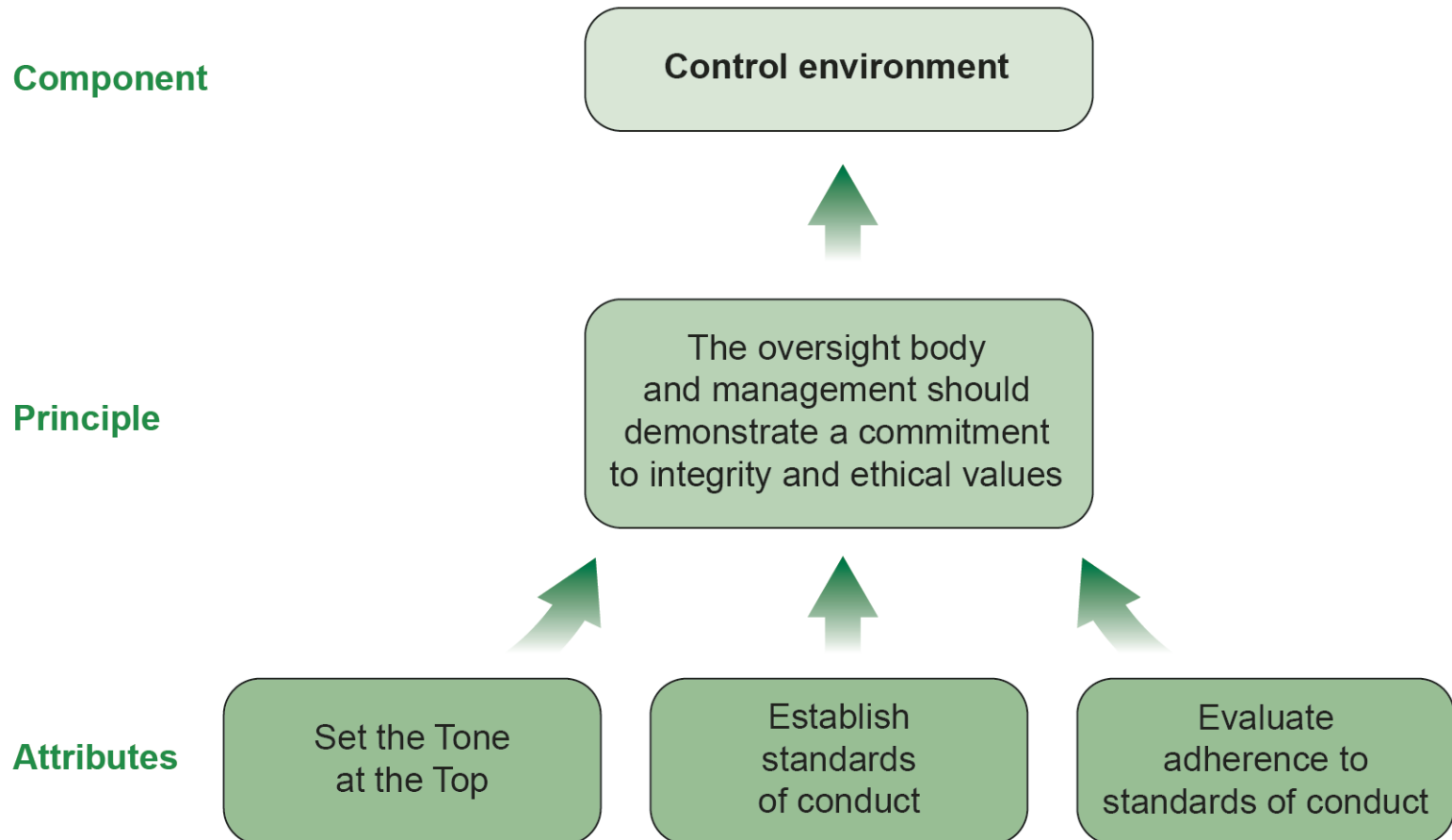|	
Control Environment	1. Demonstrate Commitment to Integrity and Ethical Values 2. Exercise Oversight Responsibility 3. Establish Structure, Responsibility, and Authority 4. Demonstrate Commitment to Competence 5. Enforce Accountability
Risk Assessment	6. Define Objectives and Risk Tolerances 7. Identify, Analyze, and Respond to Risk 8. Assess Fraud Risk 9. Analyze and Respond to Change
Control Activities	10. Design Control Activities 11. Design Activities for the Information System 12. Implement Control Activities
Information & Communication	13. Use Quality Information 14. Communicate Internally 15. Communicate Externally
Monitoring Activities	16. Perform Monitoring Activities 17. Remediate Deficiencies

Component, Principle, Attribute

Component

Control environment

Principle

The oversight body and management should demonstrate a commitment to integrity and ethical values

Attributes

Set the Tone at the Top

Establish standards of conduct

Evaluate adherence to standards of conduct

Where to Find the Green Book

- The Green Book is on GAO's website at: www.gao.gov/greenbook

- For technical assistance, contact us at: greenbook@gao.gov

Thank You

Questions?